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AUTHOR	Tropp, Debra; Olowolayemo, Surajudeen
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ABSTRACT

This report summarizes the educational highlights of a workshop sponsored by the U.S. Department of Agriculture, the University of Kentucky's Cooperative Extension Service, and the Kentucky Department of Agriculture aimed at boosting the use of locally produced fresh food in school feeding programs. The workshop was designed to provide a forum for local small agricultural producers and school food service buyers in Kentucky and surrounding states to network, teach participants about federal and state programs that give preferences to small or local vendors in the school lunch program, introduce emerging trends in school lunch purchasing that might create niche and seasonal marketing opportunities for small producers, enable small producers and school food service buyers who have already established successful direct marketing relationships to share their experiences, and inform participants about marketing assistance available to small farmers from government and university sources. The report addresses the following topics: the importance and benefits to farmers, schools, and students of farm-to-school marketing; product preferences of the school food service buyer; factors that influence a school food service buyer's choice of vendor; potential barriers to entry faced by the small producer; recommended approaches for breaking into the school food service market; case studies of successful farm-to-school marketing initiatives in California, Florida, Kentucky, and North Carolina; and how government programs can assist small farmers with school food service sales. Marketing checklists for small farmers and school food service directors and a resource section are included. (TD)

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How Local Farmers and School Food Service Buyers Are Building Alliances

Lessons Learned from the USDA Small Farm/School Meals Workshop,

May 1, 2000

Debra Tropp, Agricultural Economist

Dr. Surajudeen Olowolayemo, Agricultural Economist

Transportation and Marketing Programs

USDA, Agricultural Marketing Service

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Contents

Introduction.....6

Why Is Farm-to-School Marketing a Good—and Timely—Idea?.....8

Food Service Preferences: What Today's Food Service Director Needs and Wants.....17

What Influences School Food Service Directors When Choosing a Vendor?.....22

Potential Barriers to Entry: Considerations for Small Farmers.....28

Recommended Strategies for Small Farmers Approaching the School Food Service Market.....39

Case Studies of Successful Farm-to-School Marketing Initiatives.....48

How Government Programs Can Assist Small Farmers with School Food Service Sales.....56

Marketing Checklist for Small Farmers.....73

Marketing Checklist for School Food Service Directors 76

Resources 78

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Introduction

On May 1, 2000, more than 180 individuals—school food service directors, State and Federal commodity procurement officials, Extension agents, members of farm cooperatives, and agricultural marketing specialists—gathered at the Georgetown College Training and Conference Center in Georgetown, KY, to share information and strategies aimed at boosting the use of locally produced fresh food in school feeding programs. The event, entitled the U.S. Department of Agriculture (USDA) Small Farm/School Meals Initiative Southeast Regional Workshop, was cosponsored and organized by the USDA, Agricultural Marketing Service (AMS), the USDA, Food and Nutrition Service, the University of Kentucky's Cooperative Extension Service, and the Kentucky Department of Agriculture. This report summarizes the educational highlights of the workshop in an effort to help small farmers and school food service buyers throughout the country explore how they might be able to establish similar business relationships in their own communities.

The workshop was primarily designed to:

- Provide a forum for local small agricultural producers and school food service buyers in Kentucky and surrounding States to network;

- Teach participants about existing Federal and State programs which give preferences to small and/or local vendors in the school lunch program;

- Introduce participants to emerging trends in school lunch purchasing (such as the introduction of year-round and extended-season feeding programs) which might create niche and seasonal marketing opportunities for the small producer;

- Enable small producers and school food service buyers who have already established successful direct marketing relationships to share their experiences; and

- Inform participants about marketing assistance available to small farmers from government and university sources.

While the content of the report is focused on the collective experience of a handful of small farmers and school food service directors in Kentucky, North Carolina, the Florida Panhandle, and Southern California, many of the experiences outlined here may well be adaptable to other regions of the country. In order to help interested small farmers and school food service directors launch their own successful marketing ventures, the rest of the report is devoted to addressing the following topics:

- The importance and benefits of farm-to-school marketing;
- Product preferences of the school food service buyer;
- Factors that influence a school food service buyer's choice of vendor;
- Potential barriers to entry faced by the small producer;
- Recommended approaches for breaking into the school food service market; and
- Case studies of successful farm-to-school marketing initiatives.

Why Is Farm-to-School Marketing a Good—and Timely—Idea?

Farm-to-school marketing initiatives typically yield concrete benefits to everyone involved in the program: schoolchildren can incorporate a greater volume and variety of fresh fruits and vegetables into their diets, local school districts can obtain products packed to meet their exact specifications without having to pay for long-distance transportation and handling costs, and local growers gain an additional—and generally stable—source of farm-based income. Discussed below are some of the specific factors which make the adoption of local farm-to-school marketing initiatives so important and timely.

Timeliness of Farm-to-School Marketing Initiatives

The changing scope of school food service operations in recent years has greatly increased the opportunity to build stronger ties between local agricultural producers and school food service buyers. According to food service directors speaking at the USDA Small Farm/School Meals workshop, school districts in Kentucky and North Carolina are purchasing a greater volume and variety of fresh fruit and vegetable products than ever before, as food service directors and cafeteria managers attempt to boost school meal participation and product acceptance, while offering students as many healthful and nutritious food choices as possible. Janey Thornton, Food Service Director, Hardin County Schools, Elizabethtown, KY, observes that the use of fresh fruits and vegetables has almost completely displaced the use of canned fruits and vegetables in her district's schools, while Mary Sitton, Director of Food Service, Wilson County, NC, reports that her

district's schools offer a far greater array of fresh fruit choices today than they did only a few years ago. Schools which previously served only three fresh fruit items—apples, oranges, and pears—now serve such fresh produce items as strawberries and watermelon on a regular basis, largely because the school district has been able to take advantage of an increasing number of local procurement opportunities, often with the logistical assistance of Department of Defense (DOD) field offices.

Moreover, there is evidence to suggest that opportunities for selling locally grown fresh fruit and vegetables in public school systems have just begun to be tapped. Cheryl Sturgeon, Food Service Director, Jefferson County Schools, Louisville, KY, comments that her school district is a major consumer of fresh fruits and vegetables—on a typical day, the school district uses approximately 1,200 flats of strawberries and 50,000 apples—and is committed to the use of locally grown produce wherever possible. Jefferson County has been using DOD to source locally grown produce in season for the past 3 years and has also purchased produce directly from 12 local vendors for use in individual schools. Despite this proven level of commitment to local procurement, however, Ms. Sturgeon observes that "no one had ever [explicitly] asked her to buy Kentucky-grown products" before attending the USDA Small Farm/School Meals workshop.

Aside from the renewed commitment in many school districts toward using fresh fruits and vegetables in school meals, a growing number of schools in Kentucky are also preparing food for nonschool customers during the summer months, potentially offering

new opportunities for food service personnel to utilize fresh product at a time when a greater number of locally grown commodities are in season. Many of the school food service directors speaking at the USDA Small Farm/School Meals workshop reported that their districts routinely provide catering services during the summer months for park programs and summer camps in an attempt to boost revenue and maximize the financial self-sufficiency of their food service operations. (School cafeterias rarely recover the full cost of preparing and delivering school meals through direct charges, given the large percentage of students at many schools who qualify for free and reduced-price meals, the frequently low participation rate by students who do *not* receive price subsidies, and the high cost of labor in school kitchens.) Cheryl Sturgeon, Food Service Director, Jefferson County Schools, Louisville, KY, notes that her school district is contracted to provide over 286,000 meals to local school-based, park, and camp programs during the summer of 2000. Similarly, Mary Browning, Food Service Director, Fayette County Public Schools, Lexington, KY, observes that her school district typically provides box lunches to 35-40 sites during the summer (park programs and the like) and that each of these box lunches typically includes whole fruit and/or an individually packaged fresh produce item.

The extension of the traditional 9-month school year to an alternative "year-round" calendar is also appearing with increasing frequency among individual public schools in Kentucky, requiring some school cafeterias to provide their standard array of breakfasts, lunches, and after-school snack programs into the summer months. In Fayette County, KY, for example, 5 of the 52 schools in the district currently operate on a so-called "year-round" calendar, which means in this case that classes begin 2 weeks earlier and end 2 weeks later than they do in schools that abide by a conventional schedule.

Benefits to Producers

USDA currently estimates that almost 1.9 million farms in the United States, or 94 percent of all farms, are small or limited-resource farms with fewer than $250,000 in annual gross receipts. On average, these small and limited-resource farms provide an average net income of only $23,159 per year, as their potential to generate income has been restricted in part by depressed farm-gate prices for many bulk agricultural commodities and recent reductions in traditional crop subsidies (such as tobacco). Jim Mansfield, Director of the Division for Marketing and Value-Added Products at the Kentucky Department of Agriculture, Frankfort, KY, notes that some small farm operators in Kentucky are attempting to respond to these economic challenges by modifying their traditional production base or by expanding their channels of distribution beyond traditional outlets. Direct sales of fresh and processed fruits, vegetables, and other high-value agricultural products to local school districts may be able to provide an important source of income generation for such small farm operations, sometimes without substantial additional investment in infrastructure and equipment.

Local agricultural officials in Kentucky envision a strong future for the development of commercial fruit and vegetable production among former tobacco producers, which would potentially increase the amount of locally grown fresh produce available to local school systems and other local institutional food service customers. Mr. Mansfield observes that the recent sharp reduction in the tobacco production quota (30 percent in 1999 alone) is likely to free up 50 percent of the cropland currently dedicated to tobacco in Kentucky.

Moreover, 50 percent of Phase 1 tobacco settlement funds in Kentucky are supposed to be available for crop diversification purposes, potentially making the transition to commercial fruit and vegetable production easier for small farm operators. Mr. Mansfield notes that tobacco farmers are already accustomed to highly labor-intensive production methods and possess skills that should be largely transferable to fresh fruit and vegetable production. They should also have the ability to convert much of their existing farm infrastructure (e.g., greenhouses, sprayers) to alternative horticultural uses.

Since Kentucky is in a "transitional" growing area between northern and southern climates, the vegetable commodities believed to have the greatest potential for local commercial production are fresh market tomatoes, sweet peppers, summer squash, and, during the fall months, pumpkin, cabbage, cauliflower, and broccoli. The adoption of greenhouse vegetable production could extend the variety of fresh vegetables available during the colder months of the year but at an obviously higher cost. Promising fruits include melons (watermelon, cantaloupe, and honeydew), apples, pears, strawberries, blackberries (very difficult to ship over long distances), raspberries, and an increasing volume of blueberries.

Fortunately for Kentucky producers, many of these fresh fruits and vegetables appear to be exactly the type of ingredients and menu items sought by local school food service directors. Mr. Mansfield recently conducted a survey of school food service buyers in the State of Kentucky, along with Sarah Castanis, Director of the Food Distribution Division of the Kentucky Department of Agriculture, to identify which fruit and vegetable

commodities were most strongly desired by Kentucky schools. A total of 285 surveys were sent out to the schools, and 194 responses were returned. The survey data revealed that the fruit and vegetable items most frequently used by Kentucky schools are cabbage, cantaloupe, sweet corn, eggplant, pumpkin, strawberries, and tomatoes. (Of these, schoolchildren seem to be most fond of tomatoes and least fond of eggplant and pumpkin.) Other fruit and vegetable items that have the potential to be produced locally and are likely to find widespread acceptance in Kentucky school feeding programs are apples, broccoli, green beans, green onions, sweet peas, and watermelon.

Buoyed by the potential for locally grown produce consumption in Kentucky school systems and the growing number of produce cooperatives in Kentucky (many of which have been created with hefty financial assistance from the State), the Kentucky Department of Agriculture believes that it is a propitious time to launch a test marketing initiative between local produce cooperatives and local schools. During the fall of 2000, the Kentucky Department of Agriculture expects to oversee the introduction of locally grown produce in 312 Kentucky schools, using three Kentucky-based produce cooperatives as suppliers and using the services of DOD to distribute the produce to individual school districts.

While the outlook for horticultural production in Kentucky is generally bright, Jeff Jones, Director, Cooperative Division, USDA, Rural Business Cooperative Service (RBCS), Lexington, KY, suggests that farmers who are thinking about moving into horticultural production from tobacco consider the following issues:

- They may not receive regular payments from their vegetable production, unlike tobacco production, especially if they haven't done their marketing homework;

- They may not know very much about drip irrigation and may need to rely on university Extension assistance and education to catch up on appropriate agricultural practices for horticultural production; and

- Everything they try is not necessarily going to work.

Benefits to School Food Service Buyers

Many school food service buyers speaking at the USDA Small Farm/School Meals workshop indicated that they obtained the bulk of their fresh fruit and vegetable items from full-line food distributors. By developing a direct business relationship with a local produce vendor or by utilizing a government intermediary such as DOD to procure food products from local suppliers, school districts may be able to obtain fresher—and possibly more nutritious—produce items than they can obtain from other sources, while eliminating some of the handling and transportation costs incurred when purchasing fresh produce items from long-distance suppliers. Moreover, local procurement ventures often enable school food service buyers to introduce a greater variety and volume of specialty and/or highly perishable produce items into school menus, which may be unavailable from other suppliers or only available at a prohibitive cost. Examples of specialty and highly

perishable products produced by local farmers that have been successfully introduced into school systems include chopped and bagged fresh collard greens and muscadine grapes in the Florida Panhandle and fresh strawberries in Wilson County, NC. The expanded access to fresh produce items achieved by farm-to-school marketing programs is especially attractive to the large number of food service directors currently seeking to expand the number of vegetarian entrees and low-fat items available in school menus.

Benefits to Schoolchildren

The importance of offering menu items that students find appealing and that have strong nutritional value is accentuated by the fact that school meals often represent a significant percentage of a student's daily food intake, making it critical that students be encouraged to participate in school meal programs as much as possible. Several school food service directors speaking at the USDA Small Farm/School Meals workshop indicated that large percentages of the student body they serve—anywhere from one-third to 50 percent of the student population—qualify for free or reduced-price meals (which often include breakfast and after-school "healthy" snack programs, in addition to midday lunches).

Early reports from ongoing farm-to-school marketing initiatives suggest that students are responding favorably to the introduction of locally grown fresh produce items on school menus, suggesting that the implementation of farm-to-school marketing programs can have a significant impact on the dietary habits of student populations. Andy Fisher, Executive Director of the Community Food Security Coalition, based in Los Angeles, CA,

observes that more than half of the students purchasing school lunches in the nine elementary and middle schools of the Santa Monica, CA, school system choose the salad bar with locally grown produce as their school lunch option. In some cases, especially in middle-income schools, the salad bar program has actually lured students back into the school lunch program, while the number of students who take a sack lunch to school has dropped. As a result of this development, cafeteria managers and food service directors who participate in the salad bar program are no longer under as much pressure to find alternative ways of boosting food service revenue, such as introducing a greater variety of brand-name and commercial foods into the schools.

Mary Sitton, Director of Food Service in Wilson County, NC, also reports a noticeable increase in her schools' overall consumption of fresh fruits and vegetables since she began purchasing locally grown produce for use in her school system (generally sourced by DOD.) She believes that much of the increased consumption is related to the growth in the variety of fruits and vegetables now available to the student population. In the past, the only fresh fruits her schools served were apples, oranges, and pears, but now the same schools regularly serve such fresh produce items as strawberries and watermelon. DOD also provides her district's schools with promotional materials for the "5 a Day" program, which further helps to expand student awareness of the nutritional benefits of fresh fruit and vegetable consumption.

Food Service Preferences: What Today's Food Service Director Needs and Wants

In August 1999, the American School Food Service Association (ASFSA) released its second annual "School Lunch Trend Survey," which attempted to identify and quantify the following issues:

- Prevalence of new items (entrees, side dishes, desserts, beverages) on school lunch menus;
- Most popular lunch items among students;
- Range of food categories currently served (e.g., specific ethnic food categories, vegetarian entrees);
- Forecast of food category trends over the next 2 years;
- Planned operational changes;
- Changes in school lunch participation rate over the past 3 years; and
- Expected changes in school lunch participation rate over the next 3 years.

To assemble the 1999 survey, ASFSA sent out short questionnaires to 2,000 of its members nationwide, representing a cross-section of urban, suburban, and rural school districts. More than 600 responses were returned to the ASFSA, and these responses form the basis of the 1999 School Lunch Trend Survey report. Responses were received from all 50 States and the District of Columbia, with the highest percentage of responses (25.2 percent) coming from the ASFSA's Southeast region, the traditional stronghold of ASFSA membership. The survey sample included school districts with fewer than 300 students to

school districts with more than 40,000 students, although the majority of responses (38.6 percent) were received from school districts with 10,000 students or more.

Melinda Turner, Food Service Director, Owsley County Schools, Booneville, KY, and a past president of ASFSA, prepared the following summary of the ASFSA "1999 School Lunch Trend Survey" for participants in the USDA Small Farm/School Meals workshop.

Current Preferences

The most popular school lunch items among students in 1999 were the following:

Entrees: pizza, chicken nuggets, Mexican foods, hamburgers

Vegetables: corn, French fries, potatoes [unspecified preparation], broccoli, green beans, mashed/whipped potatoes, green salad, carrots

Desserts: cookies (especially chocolate chip), cake, ice cream/ice cream novelties, crisps/cobblers, brownies, pie, fruit

Fruit: apples/applesauce, peaches, pineapple, oranges, bananas, grapes, melon, kiwi, mixed fruit cocktail

In comparison, the categories of food actually *served* by the largest percentage of schools during 1999 were Mexican foods, low-fat foods, Italian foods (excluding pizza), and "brand-name" foods. A total of 97 percent of districts reported serving Mexican and low-fat foods, 96 percent reported serving Italian foods (excluding pizza), and 84 percent

reported serving "brand-name" foods. Responses were generally consistent across district size in most food categories.

Vegetarian Offerings Widespread—and Growing in Popularity

Overall, nearly two-thirds of survey respondents (63.8 percent) reported that they currently offered vegetarian entrees in their school lunch programs. The availability of vegetarian entrees appeared to be strongly correlated with the size of school districts; only 47.2 percent of school districts with fewer than 2,500 students reported that they currently offered vegetarian entrees on their school lunch menus, compared to 75.4 percent of the largest school districts surveyed (10,000 or more students).

Demand for Low-Fat Items on the Rise

More than two-thirds of reporting school districts (66.8 percent) plan to serve a greater volume of low-fat foods during the next 2 years, while nearly half expect to increase the number of vegetarian entrees and low-calorie foods offered.

In the vegetable category, new varieties of raw vegetables and salads were most frequently cited as items planned for near-term introduction, followed by potato dishes, stir-fry vegetables, and vegetable mixes. Overall, there seems to be a greater interest in featuring roasted and steamed vegetable items on menus than fried items.

The use of fruit as a side dish also appears to be growing in popularity, with 35 percent of respondents citing fruit as one of the new side dishes planned on school lunch menus (the third most frequent item cited behind breads, pasta, and rice). Fruit also featured prominently among new dessert items being planned for school lunch menus; 35 percent of respondents expect to introduce new varieties of "crisps and cobblers" on their lunch menus, making it the fourth most frequently reported item in the dessert category, behind rolls/muffins/snack cakes, cookies, and ice cream/novelties.

As far as beverages were concerned, new varieties of fruit juices were the second most commonly mentioned item slated for introduction in the 1999-2000 school year, next only to bottled/flavored water in popularity.

Greatest Innovation Expected Among Medium-Size School Districts

The 1999 survey revealed that school districts with student enrollments of 2,500-4,999 were somewhat more likely to plan the introduction of new menu items than either larger school districts or very small school districts. Top entrée changes planned for the 1999-2000 school year included new varieties of wraps/sandwiches, pizza, chicken/turkey dishes and low-fat/fat-free dishes. (The authors of the ASFSA survey noted that interest in introducing low-fat/fat-free entrees may have been significantly higher among respondents from school districts with enrollments below 10,000 because many larger school districts have already introduced low-fat and fat-free items on their menus.)

Projected Changes in Cafeteria Services

Some of the most popular operational changes that school food service cafeteria managers expect to implement over the next 2 years are as follows (in order of reported frequency):

- Greater use of decoration and point of sale materials;
- Creation of additional serving lines and other design modifications;
- Expansion of current menu choices;
- Expanded use of commercial/branded food;
- Expanded use of prepackaged food; and
- Adoption of breakfast programs (already fairly universal in States like Kentucky) and other feeding programs, such as after-school "healthy" snacks.

Aside from the issue of expanded menu choices on school menus, representatives from larger school districts with student enrollments above 10,000 consistently reported that they planned to implement changes in cafeteria management and operations more frequently than representatives from smaller school districts.

What Influences School Food Service Directors When Choosing a Vendor?

Convenience of Merchandise

More than any other single issue, school food service directors speaking at the USDA Small Farm/School Meals workshop expressed the strongest interest in obtaining fresh produce items which require little, if any, additional preparation before use, such as precut, bagged lettuce or broccoli and cauliflower florets. Extremely tight operational budgets for school cafeterias, coupled with severe labor shortages in many locations, have led many school food service directors in Kentucky to rely on an increasing number of convenience-oriented foods in an attempt to trim labor costs as much as possible. Cheryl Sturgeon, Food Service Director, Jefferson County Public Schools, Louisville, KY, observes that her district's school cafeterias rely exclusively on State and Federal contributions and are expected to be entirely self-supporting. With the current cost of qualified labor in the Louisville area ranging from $12.00 to $15.00 per hour, labor costs typically represent a huge percentage of the school cafeteria's available budget. Consequently, school cafeteria managers and food service directors have little choice but to seek products which require minimal kitchen preparation. Ms. Sturgeon notes that she will "probably never buy corn on the cob" from a local grower because she won't "pay someone $12.00 to $15.00 per hour just to shuck corn." Janey Thornton, Food Service Director, Hardin County Schools, Elizabethtown, KY, echoes Ms. Sturgeon's sentiments by noting that her school district purchases "very little head lettuce," and has moved

almost entirely toward purchasing precut lettuce because of the extreme labor shortage in her area.

Freshness of Processed Items

Given their concerns about nutritional value and product acceptance, many school food service directors speaking at the USDA Small Farm/School Meals workshop remarked that they paid close attention to the freshness of the processed products they use, potentially offering local suppliers of value-added fresh produce items a significant competitive advantage against long-distance suppliers of the same commodity. To enhance the quality and appeal of the menu items served by her district's schools, Mary Browning, Food Service Director, Fayette County Public Schools, Lexington, KY, notes that she always looks for processed produce items—such as diced onions—that have a short time lapse between the processing and delivery of the product to school cafeterias. Glyen Holmes, outreach specialist with USDA's Natural Resources Conservation Service, Marianna, FL, also observes that one of the main reasons the New North Florida Cooperative has had such success penetrating the local school food service market has been its ability to offer its school food service customers a fresh collard green product that is both precut and packaged. Not only is the format of the product easy for cafeteria workers to handle and prepare, but the product offers substantial nutritional value and appeals to the local student population.

Product Uniformity and Quality

School food service buyers often pay strict attention to the appearance and uniformity of the fresh fruit and vegetables they purchase from suppliers. As anyone who has prepared food for young children knows, children can be very discriminating consumers: they'll often want to choose a piece of fruit which is "exactly" the same size and color as the ones chosen by their peers and may not accept products that have obvious blemishes or deformities. Thus, the ability of local vendors to supply fresh produce *that is consistent in size and appearance* can make a critical difference in their ability to successfully break into the local school food service market. Mary Browning, Food Service Director, Fayette County Public Schools, Lexington, KY, comments that she always tries to purchase "the very best product she can afford" which provides the level of consistency she desires. Meanwhile, Greg Nix, an apple grower from Hendersonville, NC, who began supplying apples to North Carolina public schools in the summer of 1999, finds that his ability to match very specific orders for product color and size (by using an electronic color sorter at his packing facility) has been a key element in his ability to retain school food service customers.

Packaging Format

Prospective vendors to the school food service market should be aware that the type of product packaging desired by individual schools may vary considerably within a single school district as a result of substantial differences in each school's student population, food consumption rates, and kitchen storage capacity. Janey Thornton, Food Service

Director, Hardin County Schools, Elizabethtown, KY, notes that some of the elementary schools in her district have enrollments of just over 125 students, while two of the secondary schools in her district have student enrollments that exceed 2,000. Therefore, while most of the schools in her district prefer to receive precut fresh produce items (such as tossed salad) in 5-pound bags, some of the schools with the largest enrollment prefer to receive their precut produce in 20-pound bags. The ability to tailor the packaging of product to meet the specific needs of individual schools can exert substantial influence on a food service director's decision to use or retain the services of a local vendor.

Other school food service officials participating in the USDA Small Farm/School Meals workshop expressed interest in receiving produce items, such as carrot sticks and dried apple slices, packed in individual serving sizes. In many Kentucky school districts, the traditional role of school food service operations has evolved from an exclusive focus on lunch programs to the delivery of a broad slate of feeding programs throughout the day, from school-based breakfast programs (nearly universal in Kentucky) to after-school snack programs. Consequently, food service buyers are increasingly looking to supplement standard food choices with healthful, appealing menu items appropriate for consumption at different times of the day. Cheryl Sturgeon, Food Service Director, Jefferson County Public Schools, Louisville, KY, comments that she has been particularly satisfied with the individually packaged carrot and apple snack items she has ordered through the Department of Defense's local Produce Business Unit (an agency which works in partnership with commodity purchasing authorities at USDA to facilitate the procurement and delivery of fresh produce, including locally grown produce, to public

school systems). Not only are the individually packaged carrot and apple snack items "extremely convenient to serve," but they have proved "extremely popular among schoolchildren," who "don't want anyone [else] touching their food." Therefore, local produce growers seeking to penetrate the local school food service market may well enhance their appeal to potential school food service buyers if they have the capability of packaging certain lines of merchandise in individual serving sizes.

The availability of individually packaged produce items may also be a strong selling point for the growing number of school districts in Kentucky who provide catering services for outside clients. Under pressure to be financially self-supporting, many school districts have begun to contract out their catering services to private schools, day care centers, and other local institutions during the school year and to park programs and camps during the summer. Hence, school food service directors are frequently on the lookout for nutritious food items that are easily transported to facilities off school premises. Mary Browning, Fayette County Public Schools, Lexington, KY, notes that her school district typically prepares box lunches for delivery to 35 to 40 parks and campgrounds during the summer and that each of these box lunches typically includes a piece of fresh fruit and/or an individually packaged fresh produce item.

Expanding Food Choices Without Sacrificing Nutrition

School food service directors in Kentucky are increasingly gravitating toward "center of the plate" fresh produce items that have strong nutritional value, are attractive to a student

population, and have the potential to boost student participation in school meal programs. Janey Thornton, Food Service Director, Hardin County Schools, Elizabethtown, KY, comments that fresh vegetables with a low-fat ranch dip and Caesar salad entrees have become very popular menu items at the secondary schools in her school district.

Since school districts in Kentucky are often responsible for preparing food for a multitude of nonschool clients, prospective vendors should keep in mind the fact that school districts may need a more diverse range of fresh and specialized food products than if they were servicing a school-age population alone. In Jefferson County, KY, for example, the school district's food service operation prepares food for a number of local day care and senior citizen feeding programs in addition to its core business of preparing school meals. Consequently, in the words of Food Service Director Cheryl Sturgeon, "our food service customers range in age from 6 weeks old to 98 years old."

Options for Incorporating Educational Element in School Curricula

One distinct competitive advantage which local food suppliers have over other food distributors is their ability to offer a farm experience to the local student population. Cheryl Sturgeon, Food Service Director, Jefferson County Public Schools, Louisville, KY, instructs producers to take a broad view of the term, "value-added," and recommends that they approach prospective food service buyers with the concept that they can "add value" by offering supplemental educational experiences to the schools along with their deliveries of merchandise. If producers were able to visit the schools and talk to students

about farming or could arrange for field trips to local farms, it might influence a decision to use a local supplier.

Potential Barriers to Entry: Considerations for Small Farmers

Product Affordability Issues

School districts in Kentucky often face extremely tight budget allocations for food purchases and frequently have limited flexibility in the quality, range, and variety of products that they are able to purchase for use in school meals. Many Kentucky school districts are under increasing pressure to run their food service operations as self-supporting businesses, despite the fact that revenues obtained from school meal charges often fail to cover the actual costs of meal preparation. Janey Thornton, Food Service Director, Hardin County Schools, Elizabethtown, KY, observes that lunches in her school district typically cost about $2.00 per serving, of which only $1.50 is usually recovered through direct charges. Revenue is limited by the widespread availability of price subsidies. Forty-nine percent of students in her school district are eligible to receive free or reduced-price lunches. Moreover, students from families that aren't eligible for free or reduced-price meals are generally reluctant to participate in the school lunch program. Ms. Thornton comments that the social stigma associated with purchasing a hot lunch at school is so great that many families would rather prepare sack lunches for their children, even though it would cost them less money to pay for a hot, nutritious meal. Meanwhile,

the tight availability and high cost of labor (typically $12.00-$15.00 per hour) have made it nearly impossible to reduce the cost of food preparation in school cafeterias.

Consequently, even though some school food service directors like Ms. Thornton may try "to buy the very best product [they] can afford," their ability to be flexible on the issue of price, improve the quality of ingredients, and introduce new items onto school menus may be distinctly limited. When purchasing meat or meat alternative products for use in school menus, for example, Ms. Thornton likes to stay within a 40-45-cent range for each 2-ounce serving, while her colleague in Jefferson County, Cheryl Sturgeon, prefers to stay below 30 cents for each 2-ounce serving of meat or meat alternative. As a result, Ms. Sturgeon observes that, despite her best efforts, she has been unable to introduce a locally produced, farm-raised catfish product into her schools' menus, because she hasn't been able to find a product that meets her price-point specifications.

According to Andy Fisher, Executive Director, Community Food Security Coalition, Los Angeles, CA, the pressure in some public school districts to fully recover the operational costs of school meal preparation has apparently led some school food service directors and cafeteria managers in California to permit the sale of some branded and fast-food items (e.g., Taco Bell) on school premises. It should be acknowledged, however, that the acceptance of branded food in school food service operations is far from universal. Many school administrators, as well as food service personnel, are becoming more aware of the relationship between nutrition and learning, and are beginning to take a more active role in preventing schools from becoming a retail outlet for branded fast-food items. In

Kentucky, food service directors note that there are "wonderful" government controls and support in place to deter this type of commercial intrusion. School food service operations are carefully audited, and, in some school districts, food which is prepared outside of school cafeteria channels is prohibited from being sold on school premises until 30 minutes after the last serving period of the day.

Regulatory and Procurement Issues

Buyers for school food service operations in Kentucky are often subject to a number of legal restrictions when soliciting bids for food products and conducting business transactions with food suppliers. Paul McElwain, Director of School and Community Nutrition, Kentucky Department of Education, Frankfort, KY, observes that the current profusion of existing Federal and State regulations, while well intended, can create hurdles in developing direct business relationships with local suppliers. At the USDA Small Farm/School Meals workshop, Mr. McElwain examined the potential plight of a Kentucky-based school food service director who wished to purchase melons from an association of cantaloupe growers in a nearby county. According to Mr. McElwain, that food service director might technically be obliged to address the following issues before being able to make a purchasing decision:

- Are there any other farmers who can deliver the same product under the same conditions at the same price or lower?
- Are there any minority/women farmers who can deliver the same product?

- Are the members of the grower association located in a surplus labor area?

In some Kentucky school districts, many commodity purchases are also subject to competitive bidding requirements, which may make it difficult or impossible for a school food service director to select a particular vendor unless that vendor happens to submit the lowest cost bid during open competition.

Despite existing impediments to local procurement, Randy Shelton, Food Service Director for Ohio University in Athens, OH, advises prospective vendors to maintain their optimism about market opportunities in the local school food service sector and to be both persistent and patient in pursuing school food service contracts. Not only are a growing number of schools able to take advantage of special incentives for local procurement, but, in some localities, certain contracts are exempt from standard procurement regulations if they fall below a specific monetary amount. By working closely—and cooperatively—with your local food service director, initial barriers to entry can often be overcome.

Cooperative Members Have an Edge Over Individual Producers

One way in which small agricultural producers can heighten their chances of winning school food service accounts is by becoming part of a cooperative and marketing their product collectively with other local producers. Several food service directors speaking at the USDA Small Farm/School Meals workshop in Georgetown, KY, indicated that they would be more inclined to carry out business transactions and receive deliveries from one

local agricultural cooperative than from several independent firms. By purchasing products from an association of small producers rather than from individual small farms, institutional buyers tend to have greater confidence that their orders will be delivered on time—and in full—and that the merchandise they receive will conform to desired quality specifications.

From a producer standpoint, participation in a cooperative may make it more economically viable for an individual producer to establish and take advantage of grading and packing services, upgrade the quality and uniformity of his or her product, and increase his or her prospective customer base. Mark Reese, Cooperative Extension agent in Scott County, KY, observes that small producers who form a marketing cooperative are usually in a much better position to exploit sales opportunities in the institutional food service sector than individual producers alone. Through their "strength in numbers," members of small farm cooperatives can usually make greater commitments to customers with respect to guaranteed supply volumes and availability—and can usually offer customers a greater volume of processed farm products—than most individual small producers can supply by themselves.

DOD Certification May Offer Small Vendors Greater Market Access

Another way in which small producers and small producer cooperatives may enhance their ability to penetrate the local school food service market is by registering to become an authorized fresh produce vendor to DOD's Defense Supply Center. As will be explored in

greater detail later in the text, DOD's Defense Supply Center currently works in partnership with USDA in 40 States to facilitate the procurement and physical distribution of fresh fruits and vegetables, including locally grown fresh fruits and vegetables, to public school systems. To do business with the Defense Supply Center's local Defense Subsistence Offices (DSO) or Produce Buying Offices (PBO), a prospective supplier must be registered in DOD's "Central Contractor Registration" database. (Information about the database and a copy of the registration form are accessible on the Internet at "http://www.ccr2000.com.") Pat Scott, Chief, Business Logistics/School Program Team, Produce Business Unit, DOD Defense Supply Center, Philadelphia, PA, notes that DOD's Defense Supply Center is especially supportive of purchasing produce from producer cooperatives, as they tend to offer a broader range and large volume of product than an individual vendor.

Delivery Requirement Issues

Many school food service directors speaking at the USDA Small Farm/School Meals workshop indicated that their schools require deliveries of fresh produce at least once per week--and often two or three times per week--because of high-volume usage and limited refrigerated storage capacity in many school cafeterias. For individual small farmers seeking to penetrate the school food service market, fulfilling this level of demand on a regular basis can prove difficult. Janey Thornton, Food Service Director, Hardin Country Schools, Elizabethtown, KY, comments that she has tried in the past to engage in a limited amount of local procurement in an effort to eliminate dealing with as many middlemen as possible. Nevertheless, she observes that at least one local fruit grower she tried to work

with found it too difficult to comply with her delivery needs, and refused to renew his contract with the school system. Making deliveries to 21 schools took him more than a day.

A growing trend among some larger school districts in Kentucky to centralize food delivery, storage, and in-house processing functions in a single kitchen facility may prove to be a boon to farmers and farmer associations seeking to penetrate the local school food service market. Not only do these new kitchen facilities potentially create a large-volume outlet for nonprocessed fresh fruit and vegetable items, but they may also make it substantially easier for small, local vendors to deliver fresh fruit and vegetable products to a large number of school-based customers. In January 2000, the Jefferson County, KY, school district, which operates 141 school kitchens and serves 100,000 students in the Louisville metropolitan area, opened a 70,000-square-foot central kitchen facility to prepare value-added food items and redistribute them to individual school kitchens. Meanwhile, Mary Browning, Food Service Director, Fayette County Public Schools, Lexington, KY, observes that her school district is also moving toward greater centralization in the receipt and distribution of fresh produce. Her school district currently uses 30-35 sites for receiving produce items instead of receiving deliveries at all 52 school kitchens in the district, and the district is actively considering the establishment of a centralized kitchen facility similar to the one recently opened in Jefferson County.

Product Availability Issues

Despite their interest in incorporating a greater number of fresh fruit and vegetable items into school menus, many school food service directors attending the USDA Small Farm/School Meals workshop admitted that they were more likely to develop business relationships with local suppliers who were capable of delivering the same commodity or same groups of commodities over an extended period of the school year, since that makes it easier for them to plan menus and estimate food budgets. Mary Browning, Food Service Director, Fayette County Public Schools, Lexington, KY, indicates that "regular availability" is a key influence on her decision to use a particular vendor, while Glyen Holmes, outreach specialist with USDA's Natural Resources Conservation Service, Marianna, FL, recommends that growers and grower associations seeking to penetrate the local school food service market concentrate on producing crops which can be grown during the fall and winter seasons in order to maximize the amount of product they can deliver to local school systems.

Health Regulations and Food Safety Issues

Guy Delius, Branch Manager, Food Safety Branch, Cabinet for Health Services, Lexington, KY, reminds fruit and vegetable growers that local health authorities generally expect them to adhere to basic safety practices when producing food for the local school food service market (and other food service/retail institutions). At a bare minimum, growers will generally need to provide assurances that:

- Soils used to produce fruits and vegetables are not toxic;
- Soils used to produce fruits and vegetables are not prone to runoff;
- Pesticides are approved for use; and
- Pesticides are only used at prescribed times for prescribed purposes and in accordance with the instructions on the manufacturer's label.

Indeed, Mr. Delius cautions that in many States, like Kentucky, representatives of the local health department may be authorized to confirm the safety of production practices by collecting and testing random soil samples.

Aside from taking proper safety precautions with respect to the production of fruits and vegetables, growers are also generally expected to take reasonable food safety precautions during the postharvest handling process. Some of the "good hygienic practices" that local health authorities often look for when evaluating the conduct of a produce operation include:

- Use of potable water in cooling tanks;
- Availability of sinks and lavatories in fields and packing sheds; and
- Use of proper, food-grade packaging materials.

Given the potential risk for microbial contamination, value-added or processed fruits and vegetables are generally subject to far more stringent food safety regulations than

unprocessed fruits and vegetables. Local food safety authorities usually require that the processing of fresh fruits and vegetables intended for use in school systems take place under a specified set of sanitary conditions. Consequently, depending on local regulations, many fresh produce items that are washed, trimmed, precut or processed by a grower before sale to a school food service operation must be processed in a State-certified and -inspected facility, often with the added requirement that the processing facility meet specified equipment standards (e.g., stainless steel sinks versus galvanized steel tubs). Mac Stone, Director of Kentucky State University's Research Farm in Frankfort, KY, observes that limited access to certified and inspected processing facilities remains a serious impediment to the ability of small farmers to fully pursue potential marketing opportunities with institutional food service clients and wonders if the establishment of new partnerships between farmer associations and local school systems could help to resolve this existing problem. For example, since each school kitchen in Kentucky is certified by the State and contains three-compartment stainless steel sinks, Mr. Stone speculates that it might be possible for small farmers to negotiate the use of certified school kitchen facilities for processing fruits and vegetables destined for use in school meals. (Nevertheless, many of the school food service directors attending the USDA Small Farm/School Meals workshop expressed serious doubt about the feasibility of Mr. Stone's suggestion because of liability issues.)

Meat Producers Face Special Obstacles

Small meat processors seeking to penetrate the local school food service market typically face a greater number of marketing challenges than fresh fruit and vegetable producers and processors. Given the dominance of vertically integrated business operations in the poultry and livestock industry, small farmers who raise poultry or livestock for commercial sale outside vertically integrated distribution channels may have great difficulty arranging to have their animals processed under Federal or State inspection. Mac Stone of Kentucky State University notes that there is currently no inspected facility in the State where Kentucky chicken producers can bring their animals for processing, unless they are under contract to supply product to a large, vertically integrated firm. In order to give small poultry producers the opportunity to sell value-added products directly to food service customers, Kentucky State University is working to develop a mobile processing facility that would allow chickens produced on small farm operations to be processed for direct retail and institutional sale.

The difficulty that small meat producers face when trying to sell processed meat items to the local food service market is accentuated by the fact that school food service buyers are increasingly beginning to restrict their purchases of meat products to fully cooked items. Janey Thornton, Food Service Director, Hardin County Schools, Elizabethtown, KY, comments that she won't purchase any raw ground beef or meat items for use in her school system, because she is concerned about potential student exposure to food-borne illnesses if meat items are accidentally served without having been cooked thoroughly.

Moreover, Cheryl Sturgeon, Food Service Director, Jefferson County Schools, Louisville, KY, points out that using fresh meat items in the preparation of school meals generates far more grease than the use of fully-cooked meat items, and the additional labor required to remove grease can substantially increase a school cafeteria's operational expenses.

Recommended Strategies for Small Farmers Approaching the School Food Service Market

Randy Shelton, Food Service Director, Ohio University, Athens, OH, offers the following recommendations for farmers seeking to sell locally grown produce to school food service personnel, based on his experience as a purchaser of locally grown produce when he was director of food service at Georgetown College, Georgetown, KY. During his tenure at Georgetown, Mr. Shelton was the first college food service director in Kentucky to use local produce in his food service operations. He was responsible for feeding 7,000 students per day, had access to an 8,000-square-foot processing facility, and purchased locally grown produce from as many as 15 farmers at one time. Many of the sentiments he expressed were echoed by other participants at the USDA Small Farm/School Meals workshop, as indicated below.

- *Don't be shy; knock on doors and let people know that you are available as a vendor.* Mr. Shelton comments that he only began purchasing locally grown commodities for use in the university system after Mark Reese, the Extension agent in Scott County, KY, approached him directly and asked him whether he might be interested in

purchasing fresh fruits and vegetables from local growers. While Mr. Shelton acknowledges that "it may not be easy to sell locally grown products to schools," he also observes that "you won't sell anything and you will never know what opportunities exist until you try."

- *Make sure that you work directly with the food service director when negotiating business contracts.* The director of food service for a school district or academic institution usually has the primary, if not the sole, responsibility for making procurement decisions and selecting prospective vendors. Therefore, sales appointments tend to be far more effective when they are held with the primary "decision-maker"—the food service director—rather than with other food service personnel.

- *Build your network of contacts and use them to reach out to prospective buyers.* Since it isn't always easy to obtain sales appointments with busy food service directors without an introduction, Mr. Shelton recommends that prospective vendors enhance their marketing efforts by cultivating a network of contacts who may have access to local "decision-makers." For example, Mark Reese, Cooperative Extension agent in Scott County, KY, successfully used his network of contacts to obtain an appointment with Mr. Shelton, which eventually led to the development of direct marketing relationships between Mr. Shelton and several local produce growers.

- *Listen to your customer.* According to Mr. Shelton, prospective vendors often undermine their ability to sell merchandise by their sales approach. Either they come

to his office and try to sell whatever merchandise they have on hand, or they presume to tell him what he needs instead of listening to what he wants. Those vendors who are wise enough to listen to his product requirements—and attempt to sell him merchandise which specifically addresses these requirements—are the vendors who generally win his business. Glyen Holmes, outreach specialist, USDA, Natural Resources Conservation Service, Marianna, FL, also urges small farmers exploring sales opportunities in the school food service sector to become intimately familiar with the product specifications outlined in USDA's Food Buying Guide for the Child Nutrition Program and to consider how these product specifications may correspond to their current or anticipated product line.

- *Don't underestimate the importance of timely delivery to school food service personnel.* Mr. Shelton notes that school food service personnel often must observe strict restrictions when it comes to food delivery schedules. Consequently, prospective local vendors are often only able to win school food service accounts if they are prepared to adjust their delivery schedules to meet the specific needs of their customer base. Glyen Holmes, outreach specialist, USDA, Natural Resources Conservation Service, Marianna, FL, confirms that the ability of the New North Florida Cooperative to follow a strict delivery schedule has been a major selling feature for the cooperative with local school food service clients. The cooperative establishes a delivery schedule in consultation with cafeteria managers weeks before the actual delivery date and makes a commitment to deliver product to school kitchens at specific times between 6:15 and 10:45 a.m. on the day of delivery.

- *Be willing to adjust processing and packaging methods.* To enhance their success in attracting local school food service customers, Mr. Shelton advises prospective vendors to be as flexible as possible in producing merchandise which meets the exact physical specifications demanded by their clientele, even if this requires some "fine-tuning" of their current processing and packaging methods. In Marianna, FL, Glyen Holmes, outreach specialist, USDA, Natural Resources Conservation Service, finds that catering to specific client preferences with respect to product and packaging format has been an instrumental part of the New North Florida Cooperative's marketing success. The cooperative produces two types of chopped fresh collard greens for sale to institutional food service customers, the "fine cut" line, which are cut in ¼-inch squares, and the "country cut" line, which are chopped more coarsely. Both lines of collard greens are packed and delivered in 4-pound, heat-sealed, clear plastic bags, a packaging format which allows easy identification of product contents and can be stored and handled easily in most school cafeteria kitchens.

Mary Sitton, Food Service Director, Wilson County Schools, Wilson, NC, observes that she once dropped a local fruit grower as a supplier because he refused to adjust his handling practices for fresh watermelon. By refusing to use refrigerated transport to distribute his fresh fruit to local school systems, the vendor was unable to qualify for DOD certification, and, subsequently, lost the school district's account. Producers should be aware that many local PBO's and DSO's can help with some of these operational transitions. According to Gary Gay, Director, Food Distribution Division,

North Carolina Department of Agriculture, Butner, NC, DOD personnel frequently work with and provide training to local produce vendors to help them improve their handling and packaging practices.

- *Have patience.* Mr. Shelton cautions prospective vendors to the local school food service market that school food service directors often face numerous restrictions on procurement practices, such as open competitive bidding requirements, which can create sizable delays in their ability to initiate business contracts with local suppliers. Nevertheless, Mr. Shelton also reminds vendors they should not allow themselves to become overly discouraged by such bureaucratic obstacles and delays. "If a school food service director is sufficiently impressed with you and your product", says Mr. Shelton, "he or she will probably be able to find a way to work with you eventually," especially since many localities provide incentives for procurement of locally grown commodities.

- *Be aware of seasonal fluctuations in market demand.* While many schools have extended their food service operations throughout the year, Mr. Shelton notes that overall demand for food items in school food service operations still tends to be considerably stronger during the fall, winter, and early spring months than during the late spring and summer. Thus, when approaching clients in the college and university food service market, it is critically important for fresh fruit and vegetable suppliers to consider which items they will be able to supply to customers during the peak demand period of fall, winter, and early spring. Glyen Holmes, outreach specialist, USDA,

Natural Resources Conservation Service, Marianna, FL, has adopted this approach with the New North Florida Cooperative with great success; members of the cooperative have focused their efforts on producing crops, such as collard greens and other dark, leafy greens, which can be produced in their community during large portions of the school year.

- *Know your competition—and identify existing gaps in available merchandise.* Mr. Shelton comments that it is often difficult for school food service directors to resist the temptation of purchasing all of their merchandise from full-line food distribution companies, who carry an ever-growing number of convenience-oriented food items designed to minimize kitchen preparation and reduce labor costs. To the extent that local vendors are able to produce a fresher version of the same convenience-oriented product that the full-line food distribution companies are selling—or can offer a unique fresh or value-added item which isn't being offered by the competition—they often have a better chance of winning school food service accounts.

Some of the best candidates for market development by local suppliers are products that are difficult to ship over long distances, such as fresh blackberries, or products that have strong local or regional appeal but may not have enough widespread appeal to be part of the standard inventory of a large-scale food distribution company. Mark Reese, Cooperative Extension agent, Scott County, KY, remarks that some of the produce growers he works with in Kentucky have had considerable success marketing specialty fruits and vegetables with strong regional appeal to local institutional food

service accounts. Some of the specialty products that have been well received include fresh okra (a product which has an exceptionally strong following in certain pockets of the mid-South) and various heirloom/unusual varieties of apples. Meanwhile, Glyen Holmes, outreach specialist, USDA, Natural Resources Conservation Service, Marianna, FL, attributes much of the marketing success of the New North Florida Cooperative to its focus on merchandise (e.g., fresh, chopped collard greens, muscadine grapes) that is tailored to local cultural preferences and is difficult to obtain from other sources.

- *Explore the possibility of creating a partnership with a local small processor in order to expand your access to institutional markets.* Local farmers and farmer associations might seek to enhance their revenue by supplying high-quality raw materials to a local food manufacturer that sells the end-product to nearby food service institutions. In his capacity as the Director of Food Service for Ohio University in Athens, OH, Mr. Shelton currently purchases salsa from a local manufacturing company, Frog Ranch Foods in Millville, OH, which procures raw material from local tomato and pepper growers. Mr. Shelton is also currently in the process of identifying local produce farmers who could supply high-quality fruit to a local pie manufacturer.

Glyen Holmes, outreach specialist, USDA, Natural Resources Conservation Service, Marianna, FL, and Dan Schofer, agricultural engineer, USDA-AMS, Washington, DC, also advise small farmers seeking to cultivate local school food service accounts to consider the following business strategies:

- *Start small and establish realistic production and distribution goals.* Small producers can substantially enhance their ability to succeed in the local school food service market by carefully developing a feasible business plan before attempting to solicit business accounts. Mr. Holmes and Mr. Schofer both stress the importance of developing realistic production and delivery goals—and realistically calculating how much to charge for merchandise in order to obtain a profit—before negotiating with prospective school food service customers. "If you initially underestimate production and handling costs and make a mistake in what you charge your customers," notes Mr. Schofer, "it's very difficult to correct that type of error down the line without alienating your customer base."

- *Be respectful of your client's time.* Mr. Holmes and Mr. Schofer remind local producers seeking to win nearby school food service accounts that they can often do much to advance their cause just by adopting a professional demeanor. At the very least, local producers should respect and accommodate a food service director's busy schedule by arranging a formal sales appointment ahead of time, rather than spontaneously visiting his or her office with the hope of landing a sales appointment (a practice which is, unfortunately, all too common)

- *Avoid the temptation of using political pressure to close a sale.* Mr. Holmes and Mr. Schofer strongly encourage small producers to sell their goods and services on their own merits, and to refrain from using political pressure as a means of influencing

procurement decisions. While the application of political pressure may result in some *short-term* business transactions, Mr. Holmes and Mr. Schofer warn small farmers that school food service directors are likely to respond to political pressure by using the designated local supplier(s) as little as possible and by dropping the designated local supplier(s) at the earlier possible moment even if the merchandise they receive is perfectly suited to their food service operation.

- *Recognize that personal service can be a key marketing tool.* The ability to cultivate close relationships with nearby school food service customers and to respond quickly to any problems that arise can be an important way for small local vendors to distinguish themselves from competing suppliers. Indeed, such personalized customer service can be especially attractive to smaller school districts that utilize a relatively small volume of merchandise and may not receive specialized attention from large-scale food distribution firms. In Marianna, FL, the New North Florida Cooperative attempts to enhance its visibility among school food service clients by requiring at least one member of the cooperative to be present during school kitchen deliveries. In this manner, the cooperative receives direct feedback from cafeteria workers about the quality of supplies they are delivering—and can arrange for replacements almost immediately on those [relatively rare] occasions when the customer isn't satisfied with the merchandise. Members of the cooperative also keep in contact with customers between deliveries to confirm that their products met customer expectations during meal preparation and serving. At other times, school food service customers have the

option of leaving a message on an answering machine at the cooperative's office, which is checked several times a day.

- *Provide initial samples for free to gain credibility.* Small producers and cooperatives seeking to penetrate the local school food service market can enhance their credibility among prospective clients by offering them the opportunity to try out some free samples in their food service operations. To win over the Gadsden County school district account in the Florida Panhandle, for example, the New North Florida Cooperative offered the county's school food service director 3,000 pounds of washed, chopped, and bagged leafy greens as a free sample so that the food service director could test how the product would be received by her cafeteria workers and accepted by her student population before making any monetary commitment. School food service personnel in Gadsden County were so impressed with the quality and convenience of the collard green product that many of the county's schools decided to offer the product each week as a standard side dish on school lunch menus.

Case Studies of Successful Farm-to-School Marketing Initiatives

The USDA Small Farm/School Meals workshop in Georgetown, KY, featured presentations by participants in several ongoing farm-to-school marketing initiatives. Throughout the country, a growing number of small farmers and cooperatives are overcoming regulatory and logistical barriers in order to supply school districts with

locally grown fresh produce. The ways in which individual small farm organizations have successfully penetrated local school food service markets—and the factors which have contributed to their marketing success—are highlighted below.

California

Andy Fisher, Executive Director, Community Food Security Coalition, Los Angeles, CA, discussed the recent work of his organization in establishing links between small farmers, farmers markets, and local school districts in northern and southern California. One of the most successful farm-to-school marketing projects initiated by the Coalition involves the creation of a "farmers market" salad bar at several Santa Monica, CA, schools and, starting in the 1999/2000 school year, at three pilot schools in the Los Angeles Unified School District.

Fifty percent of the schoolchildren in the Santa Monica school system are eligible for free or reduced-price meals, and the salad bar program enables students who receive a significant proportion of their daily food intake at school to enhance their consumption of healthful, nutritious food at relatively low cost. Moreover, local growers benefit from selling their fresh produce at a slightly higher price than they would generally receive from standard wholesale outlets, while school instructors can offer students new educational opportunities by having local suppliers to the salad bar program arrange student tours of local farms and farmers markets.

Since the salad bar program was introduced in all nine elementary and middle schools in Santa Monica, more than half of the students purchasing school lunches choose the salad bar as their school lunch option. The introduction of the salad bar program has actually lured students back into the school lunch program, especially among schools in middle-income neighborhoods, and the number of students who take a sack lunch to school has dropped. As a result of this growing school lunch participation rate, cafeteria managers and food service directors who participate in the salad bar program are under less pressure to introduce brand-name and commercial foods into the schools as a means of boosting revenue.

According to Mr. Fisher, part of the popularity of the salad bar program among the student population is related to the fact that the salad bars:

- Are designed to be aesthetically pleasing;
- Offer schoolchildren the opportunity to choose exactly what and how much they want to eat; and
- Include features that appeal to local cultural preferences. (For example, lemon wedges have been added to the salad bar at the request of students because the use of lemon juice on salads is a common custom in Hispanic households.)

Despite the apparent popularity of the salad bar program among students (and their parents), the introduction of the salad bar program in the Santa Monica and Los Angeles, CA, school systems has met with some resistance by school food service personnel. Mr.

Fisher observes that some school cafeteria workers resist using locally grown product because of its less-than-perfect appearance or because it requires greater advance preparation by cafeteria workers, which increases the cafeteria's operating costs.

Florida

The New North Florida Cooperative, a group of 13 predominately African-American limited-resource produce growers based in Marianna, FL, currently operates a value-added processing operation designed to provide local school systems and other institutional food service clients with convenience-oriented fresh vegetable products. At present, the Cooperative delivers as many as 4,000 pounds per months of chopped and bagged collard greens and other leafy greens to local school districts in the Florida Panhandle. The Cooperative supplements its revenue from processed vegetable sales by assembling and delivering a variety of highly perishable and locally popular fresh fruit items—blackberries, strawberries, muscadine grapes—to school food service customers on a seasonal basis.

The New North Florida Cooperative was organized in 1993 with the help of Glyen Holmes, outreach specialist with USDA's Natural Resources Conservation Service in Marianna, FL. The cooperative first attempted to market its production at local farmers markets and roadside stands, but the revenue from these operations proved insufficient to create the foundation for a profitable business strategy. As part of his search for long-term marketing solutions, Mr. Holmes attended a USDA-sponsored conference on school procurement in Atlanta, GA, in 1994, where he had the opportunity to introduce himself to

J'Amy Peterson, a school food service director from the neighboring community of Quincy, FL. This encounter led to the cooperative's first delivery of locally grown produce to the Gadsden County, FL, school district during the 1997/98 school year.

Since 1997, the New North Florida Cooperative has received seed money and technical assistance from USDA-AMS through a cooperative agreement aimed at expanding the Cooperative's value-added processing operations and its ability to market convenience-oriented fresh vegetable items to a growing number of school food service customers. By developing greater processing capacity and a reputation as a reliable supplier of high-quality fresh produce, the Cooperative has managed to expand its customer base since 1997 to include eight school districts in the Florida Panhandle with a total enrollment of nearly 300,000 students.

As in other communities, the involvement of the local DSO in Jacksonville, FL, played an important role in enabling the New North Florida Cooperative to develop business relationships with neighboring school systems. By becoming a certified DOD vendor, the New North Florida Cooperative made it much easier for local school food service buyers to turn to the Cooperative for supplies. Since the Cooperative had received certification from DOD, local school food service buyers were able to utilize Group A commodity entitlement money to purchase fresh produce items from the Cooperative, an option not available for purchases of fresh produce from noncertified vendors. (During the 1998/99 school year, the amount of Group A commodity entitlement money allocated by USDA to Florida schools for purchases of fresh produce from certified DOD vendors was

approximately $3.5 million.) Moreover, by receiving certification from DOD as an approved vendor, the Cooperative was able to assure local food service buyers that their processing facility had been inspected by DOD personnel and that their production and handling methods met with DOD approval.

North Carolina

Farm-to-school marketing initiatives are well entrenched in North Carolina. According to Mary Sitton, Food Service Director, Wilson County, Wilson, NC, farmers in North Carolina currently sell more produce to local schools than farmers in any other State. North Carolina's strong track record in implementing local farm-to-school marketing initiatives can largely be attributed to the strong leadership of the North Carolina Department of Agriculture and the local PBO in Wicomico, VA. Both these organizations have worked aggressively to expand awareness of the DOD Fresh Produce Program among local school food service personnel and growers and provide the administrative and technical support necessary to ensure its success. Unlike most State departments of agriculture, the North Carolina Department of Agriculture is often *directly* involved in the physical distribution of fresh produce that has been purchased from DOD for use in school meal programs. The Food Distribution Division of the North Carolina Department of Agriculture typically arranges the transport of locally grown produce between packing shed and individual school district, often delivering the merchandise to school food service clients in its own fleet of trucks.

The North Carolina State Department of Agriculture and the PBO in Wicomico, VA, have also stimulated interest in the DOD Fresh Produce Program by holding meetings with local school representatives and produce growers. These outreach workshops have been successful in identifying and recruiting buyers and sellers for the program. Gary Gay, Director, Food Distribution Division, North Carolina Department of Agriculture, Butner, NC, remarks that the DOD Fresh Produce Program caused "the most excitement in schools since the introduction of sliced cheese." Consequently, the North Carolina Department of Agriculture was actually obliged to limit initial school participation in the DOD Fresh Produce Program to a handful of demonstration sites.

Mary Sitton, Food Service Director for one of the first school districts in North Carolina selected for participation in the DOD Fresh Produce Program, says she has been very satisfied with the program to date and marvels at how easy it now is to purchase high-quality produce from local vendors because of DOD's involvement. Ms. Sitton is responsible for purchasing food for feeding programs in 23 schools, where approximately 4,000 breakfasts and 10,000-11,000 lunches are prepared on a daily basis. Five years ago, the only locally grown produce that Ms. Sitton purchased for use in her school district was watermelons, purchased directly from a local vendor who sold his melons from the back of a nonrefrigerated truck. Once she learned that the DOD Fresh Produce Program was being introduced in North Carolina, she was "quick to jump on the DOD bandwagon" and enjoys the fact that, by working through DOD, she is assured that her suppliers have been obligated to meet specified product quality and handling standards.

Ms. Sitton generally submits weekly orders to the local PBO in Wicomico, VA, which solicits bids and identifies qualified vendors on her behalf. If any problems arise during delivery, she calls the PBO to resolve problems and arrange for replacements, saving her from having to negotiate directly with vendors. The last time Ms. Sitton placed an order for locally grown produce through DOD, she simply wrote down how much merchandise she wanted (in this case, 120 flats of strawberries) and waited for DOD to issue a statewide bid for the targeted commodity. She estimated that there would be only a 3-week gap between the completion of the statewide bid process and the delivery of the strawberries to her school district. (When fresh fruits and vegetables in North Carolina are in season, the local PBO in Wicomico, VA, frequently targets purchases of locally grown produce for delivery to school systems, often by issuing a special statewide bid for individual crops, such as apples, strawberries, or cabbage. A statewide bid can often yield significant demand for locally grown products. During a recent bid in North Carolina for Red Delicious and Golden Delicious apples, the PBO ended up taking orders for 10 truckloads of merchandise.)

Greg Nix, apple grower from Hendersonville, NC, has been equally satisfied with the sales opportunities offered though the DOD Fresh Produce Program and the responsiveness of government personnel in processing and fulfilling merchandise orders. Mr. Nix grows 150 acres of apples and packs fruit for 15 other nearby growers; his facility currently packs approximately 100,000 boxes of apples per year. In June 1999, Mr. Nix and other apple packers were invited by Jerry German of the PBO in Wicomico, VA, to a meeting at which Mr. German explained how the DOD Fresh Produce Program operates

and asked the packers in attendance how much product—and which varieties of product—they would be willing to commit to the program. Within 3 weeks, Mr. German returned to them with specific shipment requests, and, shortly thereafter, Gary Gay of the Food Distribution Division of the North Carolina Department of Agriculture arranged for transportation of the merchandise from his shipping docks.

School food service customers generally seem to be satisfied with the quality of apples they receive from Mr. Nix's packing facility. Following the first delivery to local schools, cafeteria workers were asked if they had experienced any quality problems with the apples, and only one school reported some dissatisfaction with the delivered merchandise. Since Mr. Nix operates an electronic color sorter at his packing facility, he is able to match very specific orders for product color and size and guarantee a high degree of product consistency.

How Government Programs Can Assist Small Farmers with School Food Service Sales

Several Federal and State programs are available to help small farmers and food processors gain access to the local school food service market. Some of these government programs are designed to target purchases of locally grown produce or perishable commodities items grown or manufactured by small vendors, making it easier for school food service personnel to purchase and utilize these commodities in their feeding programs. Other programs are designed to provide technical assistance, training, loan

guarantees, and grants to small farm and food manufacturing operations in order to enhance the economic viability and marketing effectiveness of these enterprises. A brief overview of some of these government programs is provided below.

Commodity Procurement and Distribution

The DOD Fresh Produce Program

DOD's Defense Supply Center, based in Philadelphia, PA, is responsible for providing medical supplies, clothing, and food for military personnel and troop dining facilities worldwide. To handle produce purchases for domestic and foreign military installations, the Defense Supply Center's Produce Business Unit operates 10 regional PBO's and four DSO's on the East and West Coasts (in Norfolk, VA; Jacksonville, FL; San Francisco, CA; and Seattle, WA). The Produce Business Unit also oversees a roving staff of field buyers who purchase products directly from growing areas.

In 1994, DOD developed a partnership with USDA that would enable the national school lunch program to piggyback on DOD's existing logistics and distribution system for fresh fruits and vegetables. The pilot program began with eight test States (South Dakota, Wyoming, Colorado, New Hampshire, Florida, Texas, Maryland, and South Carolina), using $3.2 million of Federal entitlement money for Group A commodities (a selected group of perishable and semiperishable commodities). Under the first phase of the

program, the schools could order any authorized fruit or vegetable from a list of about 150 items, except for non-U.S. grown produce.

After the first successful test year, the cap on Group A commodity entitlement funds was increased to $20 million, and additional States/territories signed on to participate in the program, including Guam, Alaska, and Hawaii. At the end of the second year, USDA agreed to permit the use of Section 4 and 11 funds in addition to Group A funds, which permitted the purchase of selected nondomestic commodities such as bananas. By the 1998/99 school year, the level of participation in the DOD Fresh Produce Program had grown to include 40 States and territories, the cap on Group A commodity entitlement funds had grown to $25 million, and States were spending more than $9 million of Section 4 and 11 funds in the program, purchasing as many as 200 authorized produce items.

When purchasing fresh produce items for school food service and other military and institutional customers, DOD's Produce Business Unit personnel typically:

- Look at field conditions;
- Make supply projections;
- Estimate the impact of supply availability on future price fluctuations for specific farm products;
- Solicit bids from certified DOD vendors (targeting small farmers and farm cooperatives in the delivery area when locally grown farm products are in season);

- Make purchasing decisions based on "best-value acquisition" and "100 percent free, open competition" (though some commodities are acquired through small vendor set-asides); and
- Certify that purchased farm products meet specified quality standards.

School food service buyers who use DOD to obtain locally grown fresh produce have the advantage of tapping into the Produce Business Unit's extensive expertise in market assessment, procurement, and quality assurance, while retaining the ability to take physical delivery of fresh produce directly from local growers. The Produce Business Unit's field offices also provide accounting and billing services for their school food service clients and take responsibility for arranging replacements if their customers are disappointed with the quality of the merchandise they receive. Consequently, school food service buyers who obtain fresh produce items through DOD are saved the aggravation of having to negotiate with their suppliers when product quality problems or billing discrepancies arise.

School districts that choose to use DOD for fresh produce procurement currently pay a straight overhead fee of 5.8 percent for these services. DOD's service fee is adjusted on an annual basis and is calculated to reflect the actual personnel and overhead costs borne by DOD in administering the Fresh Produce Program and other produce distribution activities.

In order to do business with DOD's Produce Business Unit, a vendor must be registered with the Defense Supply Center's "Central Contractor Registration" database. Prospective

vendors interested in qualifying for DOD certification can locate information about DOD's vendor certification requirements at the following Internet address: "http://131.82.241.3/contract/new.htm." General information about the operation of the DOD Fresh Produce Program—and a list of contacts at Produce Business Unit headquarters and at regional field offices—is available via Internet at "http://www.dscp.dla.mil/subs/produce.htm."

USDA-AMS, Commodity Procurement Program

Farmers, agricultural marketing cooperatives, and food processing firms can also supply food products to school systems by working directly with the commodity procurement staff of USDA-AMS. AMS' commodity procurement branches are responsible for purchasing a wide array of perishable and semiperishable food items for the National School Lunch Program and several other feeding programs supported by the Federal Government. According to Susan Proden, Chief, Commodity Procurement, Fruit and Vegetable Programs, USDA-AMS, Washington, DC, USDA purchases approximately 20 percent of the commodities used in the National School Lunch Program, while school districts themselves are responsible for purchasing the remaining 80 percent. Fresh and processed food items customarily purchased under this program include fruits, vegetables, beef, pork, fish, poultry, and egg products. The funding authority for this program requires that primary emphasis be given to agricultural market conditions when deciding which products to purchase, although recipient preferences are taken into account as well.

While many of these commodity purchases are conducted using strict competitive bidding processes, other purchases are explicitly designed to increase the participation of small, minority-owned, or economically disadvantaged businesses as suppliers to the National School Lunch Program and other federally sponsored feeding programs. The contracting options and procedures that AMS uses to purchase agricultural commodities for the National School Lunch Program and other federally sponsored feeding programs can vary as follows:

Open Competition. Most commodity purchases involve full, open competition, and contracts are awarded on the basis of these competitive bids. Commodity bids for horticultural products are typically solicited during the primary harvest season for the commodity in order to enhance the level of competition available and usually occur one to two times per year. In contrast, bids for meat and poultry products are typically carried out every 2 weeks because of extreme price fluctuations in the market.

Negotiated Contracts With Multiyear Options. Provisions exist for the use of a negotiated—rather than competitive—bid in situations in which only one supplier is likely to be capable of supplying the targeted commodity. (This happens most frequently with canned pineapple.)

Small Business Set-Aside. When evidence reveals that two or more small businesses are capable of fulfilling the terms of a proposed contract, AMS has the option of soliciting commodity bids from small businesses exclusively. In such cases, AMS uses the U. S.

Small Business Administration (SBA) definition of small businesses, or firms with fewer than 500 employees.

Partial Small Business Set-Aside. AMS also has the option of creating partial set-asides for firms that have been certified as socially and/or economically disadvantaged by the SBA. Firms that qualify for such certification status include many small businesses, minority-owned businesses, and businesses which operate in "historically underutilized business" (HUB) zones. When such a partial set-aside is created, AMS has the flexibility to award a contract to a firm certified as socially and/or economically disadvantaged by the SBA even when the firm's bid exceeds the lowest cost bid by as much as 10 percent. Details on which businesses qualify for this SBA certification status and how to apply for SBA certification are located at the Internet site for the USDA Office of Small and Disadvantaged Business Utilization, "http://www.usda.gov/da/smallbus.html."

When determining the appropriateness of using a particular vendor to supply commodities to the National School Lunch Program and other federally sponsored feeding programs, AMS looks at the vendor's previous experience, financial stability, and physical production capacity. Before any new vendor is awarded a contract, an AMS inspector will visit the vendor's facility to confirm that the firm has the capacity to fulfill the proposed contract according to the specified terms and conditions. Prospective vendors to AMS' commodity procurement programs should be aware that AMS has a handful of unique requirements for food products; all fresh and processed commodities purchased by AMS for use in federally sponsored feeding programs must be 100 percent domestic in origin

and use USDA packaging and labeling materials. Because purchases are made in semi-trailer load quantities, the capacity of a packing or processing facility does come into play.

Interested producers and food manufacturers can learn more about sales opportunities with the commodity procurement branches of AMS by investigating AMS' central information clearinghouse on food purchasing programs, located on the Internet at "http://www.ams.usda.gov/cp/resources.htm."

Market Research and Technical Assistance

AMS, Federal-State Marketing Improvement Program (FSMIP)

This program, administered by AMS' Transportation and Marketing Programs, provides matching funds to State departments of agriculture or affiliated State agencies to develop innovative approaches in the marketing of agricultural products. USDA typically funds 20 to 30 projects each year under the FSMIP program, averaging around $50,000 per project. In recent years, approximately $1.2 million in grants have been appropriated each year under the FSMIP program.

At present, the FSMIP program gives high priority to funding agricultural marketing projects that have an explicit small farm, direct marketing, or sustainable agriculture component. As noted in the evaluation criteria for Fiscal Year 2000 outlined by AMS

Administrator Kathleen Merrigan, the FSMIP program "especially invites proposals in the following areas:

Small Farms: to increase the base of marketing research and marketing services of particular importance to small-scale, limited-resource farmers and rural agribusinesses, with emphasis on projects aimed at identifying and improving producer abilities to participate in alternative domestic and export markets.

Direct Marketing: to identify and evaluate opportunities for producers to respond directly to new or expanding consumer demands for products and value-adding services, with emphasis on projects that concurrently address the needs of presently underserved consumers.

Sustainable Agriculture: to encourage the development of marketing channels and methods consistent with maintaining or improving the environment, with emphasis on projects aimed at expanding consumer choices with regard to the environmental impact of alternative production and marketing technologies."

In fiscal year 1999, FSMIP grants were awarded to 24 State-sponsored marketing projects. Of these, nine projects were specifically devoted to direct marketing issues, and about three-quarters of the projects were specifically designed to help small farm operations improve their access to markets.

FSMIP grants are typically awarded in two installments during the year, in mid-May and early September. To qualify for the first round of competition, proposals generally must be received by the FSMIP office by late January, and to qualify for the second round of competition, proposals generally must be received by early May. A full description of the application process for FSMIP grants is available at the FSMIP program's Internet site, located at "http://www.ams.usda.gov/tmd/fsmip.htm."

Other AMS, Transportation and Marketing Programs, Initiatives

AMS' Transportation and Marketing Programs, notably its Marketing and Transportation Analysis and Wholesale and Alternative Markets program areas, devotes part of its operating budget each year to providing seed money to promising market research and technical assistance projects through cooperative agreements with land-grant universities, State departments of agriculture, and other eligible community-based organizations. The pilot project in the Florida Panhandle to market fresh produce to local schools is an example of one project which was partially funded by a Transportation and Marketing Programs cooperative agreement. A copy of a report summarizing the accomplishments of this pilot project released in February 2000—entitled Innovative Marketing Opportunities for Small Farmers: Local Schools as Customers—is posted on the AMS Transportation and Marketing Programs' publication Internet site, located at "http://www.ams.usda.gov/tmd/tmpubs.htm." The Internet site also contains a wealth of research information on marketing trends, postharvest handling requirements, and recommended channels of distribution for farm products.

Federal and State Assistance in Forming a Producer-Owned Marketing Cooperative

As explored earlier in the text, participation in a cooperative can offer small farmers significant advantages when they attempt to market their farm products to local school food service and other institutional clients. Institutional buyers appreciate the efficiency of working with one local business entity rather than several independent firms and also appreciate the security of working with an association of small farmers who are more likely to deliver the desired volume, quality, and consistency of merchandise than an individual small farm. Small farm operators also benefit from the fact that participation in a cooperative generally enables them to better leverage their limited financial resources. Jeff Jones, Director, Cooperative Division, USDA-RBCS, Lexington, KY, comments that "it's very difficult for a single farmer to take care of all aspects of production, contracting, and marketing, and being part of a cooperative can help relieve some of these burdens."

Andrew Jermolowicz, agricultural economist, USDA-RBCS, Washington, DC, recommends that small farm operators also recognize the long-term economic benefits of participation in an agricultural marketing cooperative and the potential long-term value of an established cooperative brand name. If the cooperative is fully owned by growers, notes Mr. Jermolowicz, the profits of the cooperative also fully accrue to growers. By participating in such a cooperative venture, small growers can often capture a greater share of the retail food dollar, money that is often dissipated in fees to marketing agents such as brokers or food distributors. Mr. Jermolowicz observes that the Ocean Spray cranberry cooperative, now a Fortune 500 company, actually started as a small

cooperative which only marketed fresh cranberries twice a year. In the case of an extremely well known cooperative like Ocean Spray, the revenue derived from use of the brand name can be more than the revenue derived from the sale of the cranberries themselves.

Fortunately for small farmers, both Federal and State Government agencies can provide assistance for small farmers in forming a marketing cooperative. A small sampling of these government programs is provided below.

USDA, Rural Business Cooperative Service

RBCS offers an abundant variety of technical assistance to producer groups seeking to form an agricultural marketing cooperative, including numerous publications and videos about organizing and financing cooperative organizations, along with free training opportunities for cooperative members and managers. General information about the publications and training programs offered by RBCS to help small farmers make the transition to cooperative marketing or make the best use of their cooperative marketing structure can be found at the RBCS Internet home page at "http://www.rurdev.usda.gov."

RBCS also sponsors a number of guaranteed loan and stock purchase programs for small farm operators seeking to create new agricultural marketing cooperative ventures. A brief description of these financial assistance programs is provided below.

Business and Industry (B&I) Guaranteed Loan Program. RBCS' Business and Industry (B&I) Guaranteed Loan Program helps create jobs and stimulates rural economies by providing financial backing for rural businesses. This program guarantees up to 90 percent of a loan made by a commercial lender. Loan proceeds may be used for working capital, machinery and equipment, buildings and real estate, and certain types of debt refinancing. By expanding the lending capability of private lenders in rural areas, the B&I Guaranteed Loan Program endeavors to help these private lenders extend quality loans that can help create and maintain rural employment and improve the economic climate of rural communities. During fiscal year 2000, $850 million was allocated by RBCS for the administration of the B&I Guaranteed Loan Program.

B&I loan guarantees can be extended to recognized commercial lenders or other authorized lenders in rural areas. (This includes all areas other than cities or unincorporated areas of more than 50,000 people and their immediately adjacent urban or urbanizing areas.) Recognized lenders generally include:

- Federal or State-chartered banks;
- Credit unions;
- Insurance companies;
- Savings and loan associations;
- Farm Credit Banks or other Farm Credit System institutions with direct lending authority;
- Mortgage companies that are part of a bank holding company; and

- National Rural Utilities Finance Corporation.

Loans may also be extended by eligible Rural Utilities Service electric and telecommunications borrowers and other lenders approved by RBCS who have met designated criteria.

Assistance under the B&I Guaranteed Loan Program is available to virtually any legally organized entity, including a cooperative, corporation, partnership, trust, or other profit or nonprofit entity; Indian tribe; or federally recognized tribal group, municipality, county, or other political subdivision of a State. The maximum aggregate amount that can be offered to any one borrower under this program is $25 million.

RBCS, Stock Purchase Program. RBCS' stock purchase program works in conjunction with the Guaranteed B&I Loan Program. It allows loans to be made to small producers of agricultural products seeking to join new cooperatives that produce value-added goods. Small farmers can use the Guaranteed B&I Loan Program to help pay for stock in a start-up cooperative that will process an agricultural commodity into a value-added product. In order to be eligible for the stock purchase program, producers must demonstrate that they operate a "family-sized" farm, using USDA's Farm Service Agency definition that a "family-sized" farm is one that a family can operate and manage by itself. In addition to the limitation on the size of eligible farm operations, producers who participate in the stock purchase program must use the loan to purchase stock in an entirely new cooperative organization, rather than a preexisting cooperative organization that is in the process of

expanding or diversifying membership. The maximum loan amount that can be borrowed under the stock purchase program is $400,000 for a maximum term of 7 years. Interest rates for the loans are negotiated privately between the producer and the lender.

Additional information about the RBCS, B&I Guaranteed Loan Program, can be located on RBCS' Internet site at "http://www.rurdev.usda.gov/rbs/busp/b&i_gar.htm," while information about the RBCS stock purchase program can be obtained at "http://www.rurdev.usda.gov/ga/coopstck.htm."

State-Based Programs

Information on cooperative organization and management may also be available from local State Extension agents or the Cooperative Extension Service department of local land-grant universities. In Kentucky, for example, the growing clamor by farmers for technical assistance related to cooperative organization and management inspired the recent creation of the Center for Cooperative Development, a partnership between the Kentucky Department of Agriculture, the University of Kentucky, the Commodity Growers Cooperative, and the USDA, Rural Development, office in Lexington, KY. The Center, which is housed in the University of Kentucky's Agricultural Economics Department, operates as a one-stop clearinghouse for educational materials on agricultural cooperatives and provides training to cooperative members on business plan development, budgeting, cash flow, and business operations. Since its inception, the Center has sponsored a winter school for cooperative and cooperative board members and established

a matching grant program that provides as much as $8,000 to individual producer groups for the purpose of carrying out a business feasibility study.

Marketing Checklist for Small Farmers

Before approaching potential customers in the school food service sector, a producer should:

- Identify and set up business appointments with the *directors* of school food service in the area (rather than school cafeteria managers), since they are typically responsible for making final procurement decisions.

- Learn about the commodity preferences of school food directors in the area and take a look at their standard school menus and product usage. Develop a sales strategy that responds directly to these needs, taking into account customer requirements for product format, consistency and packaging, and the timing and frequency of deliveries.

- Recognize that different segments of the school food service market—elementary schools, middle schools, high schools, and external clients—may have different food preferences and requirements. Consider how to tailor production, assembly, and processing methods to meet the needs of specific school food service market segments.

- Discover the types of fresh merchandise that local schools are currently receiving from other suppliers and identify existing gaps in available merchandise.

- Consider the possibility of supplying local schools with products that are difficult to obtain from long-distance shippers, such as highly perishable fruits.

- Arrange for proper refrigeration of merchandise during storage and distribution, to assure a fresher and higher quality product at delivery time.

- Identify options for producing precut and convenience-oriented fresh food items that can appeal to school food service directors by cutting preparation time and labor costs.

- Incorporate strict quality standards when assembling and packaging merchandise to increase the likelihood that customers will receive products with consistent quality characteristics.

- Think about offering potential school food service customers free samples that they can test in their school kitchens.

- To develop a reputation as a reliable vendor, start small by committing to a realistic sales volume and developing a realistic delivery schedule that suits the school food service customers' needs.

- Keep in mind that school feeding programs involve more than lunch alone. It is common today for a school district to serve breakfast, after-school snacks, and box

lunches for off-site programs. Consequently, schools can require a broad variety of commodities, even during the summer months.

- Consider becoming a certified DOD vendor to facilitate sales to local school food service directors.

- Think about forming a marketing cooperative with other small growers in the area in order to share the cost of processing, packaging, and distributing perishable commodities to local school systems.

- Follow all applicable food safety regulations in the production, processing, and handling of fresh food items, in line with local, State and Federal mandates.

- Fulfill commitments—and devise a system for arranging supply replacements promptly if the customer is dissatisfied.

Marketing Checklist for School Food Service Directors

A school food service director's ability to identify and establish a business relationship with local purveyors of fresh fruits, vegetables, and other food items may be enhanced by:

- Contacting the local county Extension agent or personnel from the Cooperative Extension department at the local land-grant university to learn about the number of small farms and small farm cooperatives operating in the area and the types of fresh and processed commodities currently available from local producers.

- Arranging visits to nearby farms, meeting with local producers, and taking the opportunity to state specific product interests and needs. Unless a local producer is already involved in supplying merchandise to the school food service market, he or she may not be aware of current school food service trends, such as the growing use of *fresh* fruits and vegetables in school feeding programs or the growing diversity of meals—breakfasts, lunches, after-school snacks, box lunches for off-site programs—prepared by school cafeterias.

- Contacting the nearest PBO or DSO about the possibility of using their services to procure locally grown fresh produce. The addresses and contacts of DOD's regional PBO's and DSO's are located at "http://www.dscp.dla.mil/subs/produce.htm."

- Learning about the existence of any Federal, State, or local exemptions to standard competitive bidding requirements when purchasing food commodities from local, minority-owned, women-owned, small, and/or economically disadvantaged businesses.

- Considering the introduction of locally produced food items in the school system on a test basis—possibly starting with a handful of schools—in order to assess how these items are accepted by cafeteria workers and students before making a large-scale financial commitment. Ask local purveyors if they might be willing to provide initial samples for free to enable food service personnel to test the products in school kitchens without financial risk.

Resources

Commodity Procurement and Distribution

DOD Defense Supply Center

Produce Business Unit

700 Robbins Avenue

Philadelphia, PA 19111-5092

Contact: Pat Scott, Chief, Business Logistics/School Program Team

Phone: (215) 737-3601

E-mail: pscott@dscp.dla.mil

Internet: http://www.dscp.dla.mil/subs/produce.htm

DOD Produce Buying Office—Tennessee

Trademark Business Center, Suite 124

220 Great Circle Road

Nashville, TN 37228

Contact: Fred Tidwell

Phone: (615) 736-5487

Facsimile: (615) 736-7082

E-mail: ftidwell@dscp.dla.mil

DOD Produce Buying Office--Virginia

3067 George Washington Memorial Highway, Suite 10

P.O. Box 471

Wicomico, VA 23184-0471

Contact: Jerry German

Phone: (804) 642-1809

Facsimile: (804) 693-2458

E-mail: ggerman@dscp.dla.mil

USDA, Agricultural Marketing Service

Fruit and Vegetable Programs

Commodity Procurement Branch

P.O. Box 09456

Washington, DC 20090-6456

Contact: Susan Proden, Chief

Phone: (202) 720-4517

E-mail: Susan.Proden@usda.gov

Internet: "http://www.ams.usda.gov/cp/resources.htm"

Research and Technical Assistance in Organizing Farm Cooperatives

USDA, Rural Business Cooperative Service

Cooperative Development Division

1400 Independence Avenue, SW, Stop 3254

Washington, DC 20250-3254

Contact: John Wells, Director

Phone: (202) 720-3350

E-mail: john.wells@usda.gov

Internet: "http://www.rurdev.usda.gov/rbs/coops/cdd.htm"

Research and Technical Assistance on Small Farm Marketing Issues

Community Food Security Coalition

P.O. Box 209

Venice, CA 90294

Contact: Andy Fisher, Executive Director

Phone: (310) 822-5410

Facsimile: (310) 822-1440

E-mail: asfisher@aol.com

Kentucky Department of Agriculture

Division for Value-Added Horticulture/Aquaculture

500 Mero Street, 7th Floor

Frankfort, KY 40601

Contact: James Mansfield, Director

Phone: (502) 564-4696

Facsimile: (502) 564-2133

E-mail: jim.mansfield@kyagr.com

Internet: "http://www.kyagr.com"

Kentucky State University Research Farm

1525 Mills Lane

Frankfort, KY 40601

Contact: Mac Stone, Director

Phone: (502) 564-5871

Facsimile: (502) 564-5872

E-mail: kysufarm@mis.net

University of Kentucky Cooperative Extension Service

206 Scovell Hall

Lexington, KY 40546-0064

Contact: Dr. Bonnie O. Tanner, Assistant Director, Family and Consumer Sciences

Phone: (859) 257-3887

Facsimile: (859) 257-7565

E-mail: btanner@ca.uky.edu

USDA, Agricultural Marketing Service

Transportation and Marketing Programs

Federal-State Marketing Improvement Program (FSMIP)

1400 Independence Avenue, SW, Room 4006-S

P. O. Box 96456

Washington, DC 20250

Contact: Debra Tropp, Acting Staff Officer

Phone: (202) 720-2704

Facsimile: (202) 690-4948

E-mail: Debra.Tropp@usda.gov

Internet: "http://www.ams.usda.gov/tmd/fsmip.htm"

USDA, Agricultural Marketing Service

Transportation and Marketing Programs

Marketing and Transportation Analysis

1400 Independence Avenue, SW, Room 4006-S

Washington, DC 20250

Contact: Dan Schofer, Agricultural Engineer

Phone: (202) 690-1303

Facsimile: (202) 690-3616

E-mail: Dan.Schofer@usda.gov

USDA, Food and Nutrition Service

Southeast Regional Small Farm Resource Project

61 Forsyth Street, SW, Room 8T36

Atlanta, GA 30303

Contact: Dave Cunningham, Project Manager

Phone: (404) 562-7079

Facsimile: (404) 527-4515

E-mail: David.Cunningham@fns.usda.gov

USDA, Natural Resources Conservation Service

3800 Union Road

Marianna, FL 32446

Contact: Glyen Holmes, Outreach Coordinator

Phone: (850) 352-4752

School Food Service Industry Trends

American School Food Service Association

700 South Washington Street, Suite 300

Alexandria, VA 22314-4287

Phone: (800) 877-8822

Facsimile: (703) 739-3915

Internet: "http://www.asfsa.org"